



TrustIndiana™



## Local Government Investment Pool

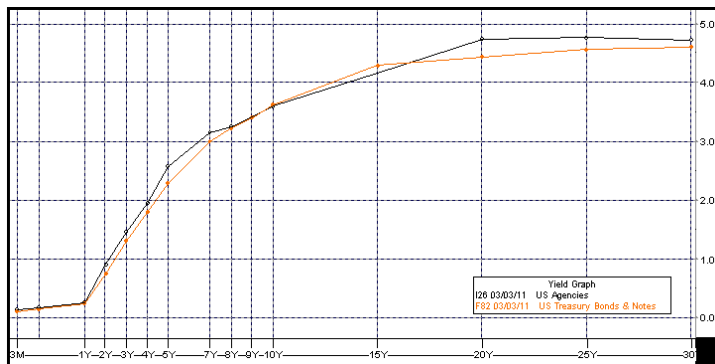
# Monthly Economic Update for TrustIndiana

March 2011

## Unemployment Rate Declined to 8.9 Percent in February

The unemployment rate in the U.S. unexpectedly fell to 8.9 percent in February, the lowest level since April 2009. The U.S. economy added 192,000 jobs last month compared to an expected increase of 196,000. This gain follows a 63,000 increase in January, which was revised higher from an initial estimate of 36,000. Excluding government agencies, private payrolls rose by 222,000 in February compared to an expected gain of 200,000. The U.S. economy has created 1.3 million jobs over the past year after losing around 8.8 million jobs during the recession.

## Yield Curves (Agency vs. Treasury)



Source: Bloomberg

## Our Methodology

The Federal Open Market Committee (FOMC) continues to keep the fed funds target rate at the 0 to 0.25 percent target level. The Federal Reserve is approximately halfway through the \$600 billion asset-purchase program known as quantitative easing 2 (QE2) and maintains its plans to complete the program by the end of June 2011. Recent events in Libya have pushed up oil prices and caused investors to seek the safety of U.S. Treasury securities resulting in higher prices and lower yields. Concerns are now growing about the sustainability of the U.S. recovery with rising food and energy costs. The FOMC meets again on March 15, 2011 and no change in monetary policy is anticipated. Additionally, the fed funds futures contracts are reflecting a reduced probability of an increase in the fed funds target rate at the December 2011 meeting. The probability of an increase at the December 2011 meeting in the fed funds target rate is now approximately 35 percent, down from 58 percent one month ago. With the FOMC on hold until late 2011 or possibly into 2012, we expect the yield on money-market type investments to remain at very low levels. We will continue to concentrate on high quality investments while adhering to our long standing objectives of **safety, liquidity, and yield.**

## Selected Current Economic Data

DATA	PERIOD	
GDP QoQ	Q4 '10	3.2%
GDP YoY	Q4 '10	2.8%
PPI YoY	Jan '11	3.6%
CPI YoY	Jan '11	1.6%
Jobless Rate	Feb '11	8.9%
Fed Funds Target	Jan 26 '11	0 - 0.25%

Source: Bloomberg

## Treasury Yields

TERM	3/3/11	2/24/11	CHANGE
3-Month	0.13%	0.12%	0.01%
6-Month	0.16%	0.16%	0.00%
1-Year	0.26%	0.23%	0.03%

Source: Bloomberg

## Agency Yields

TERM	3/3/11	2/24/11	CHANGE
3-Month	0.17%	0.18%	-0.01%
6-Month	0.21%	0.23%	-0.02%
1-Year	0.36%	0.36%	0.00%

Source: Bloomberg

## Commercial Paper Yields (A-1/P-1 Dealers)

TERM	3/3/11	2/24/11	CHANGE
1-Month	0.27%	0.29%	-0.02%
3-Month	0.37%	0.38%	-0.01%
6-Month	0.52%	0.53%	-0.01%
9-Month	0.54%	0.67%	-0.13%

Source: Bloomberg

The opinions expressed are those of the TrustIndiana Administrator and are subject to change without notice.